P.K. JOGI): Let the Minister reply.

SHRI P. CHIDAMBARAM: Sir, if we do not redefine the role of 1RBI. I am afraid, IRB1 itself will become sick, it is perhaps on the way to becoming sick. There was a time when the focus of IRBI was, and correctly was, to rehabilitate sickness, but there is no reason to believe that industries in that part of India, eastern and north-eastern part, require only a nurse for sickness and don't require an institution which will help development. Therefore, I made this promise in my last Budget Speech and, I believe, it was widely welcomed by everyone in this House as well as in the Lok Sabha. I am implementing that promise by bringing in the Bill to convert IRBI into a fullfledged developmental financial institution with head-quarters in Calcutta. I have already, in my main answer, assured . the House that the portfolio of sickness now being carried by IRBI, will continue to be carried by IRBI. Like any other developmental financial institution, IDBI, ICICI, IFCI, the new IIBI will promote development. It will also operate as an operating agency whenever BIFR asked it to do so. It will also help rehabilitating a certain number of sick units, but I don't think we should get fixed on this focus on rehabilitation. Rehabilitation is one function of a developmental financial institution, but the main function, I submit most humbly, of a developmental financial institution is to promote new industries, to promote new capacities, to promote greater employment. I believe, IIBI will function in the manner other developmental financial institutions are functioning because I sincerely believe there is a need for such an institution with headquarters in Calcutta.

As regards capital, as I said, the authorised capital of the new company will be Rs. 1,000 crores. I am told, I recall, that IFCI also has a capital of only Rs. 1,000 crores. Over a period of time, this capital can be expanded. I am going to do my best to make IIBI a success.

†The Question was actually asked on the floor of the House by Shri Dipanker Mukherjee.

**Non-performing advances in Banks and Financial institutions**

*223. SHRI DIPANKAR MUKHERJEE:†
DR. NILOTPAL BASU:

Will the Minister of FINANCE be pleased to refer to the answer to Starred Question 93 given in the Rajya Sabha on 16th July, 1996, and state:

(a) total Non-Performing Advances in Banks and Financial Institutions during 1995-96 and 1996-97 (provisional);

(b) recovery through Debt Recovery Tribunal and compromise settlements during the above period;

(c) amount targeted for recovery in 1996-97 and 1997-98;

(d) number of big borrowers having an outstanding of more than Rs. 100 crore as on 31st March, 1996; and

(e) sepcial action plan for recovery of debts from large borrowers'?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) to (e): A Statement is laid on the Table of the House.

**Statement**

(a) and (b) As on 31.3.96 the non-performing assets of the public sector banks (PSBs) were Rs. 39583.94 crore and Rs. 7141.93 crore for the financial institutions (FIs). Recoveries made by the PSBs through Debt Recovery Tribunals is Rs. 140.27 crores. Recoveries through compromise settlement has been Rs. 2120.99 crores in respect of PSBs and Rs. 601.31 crores in the case of FIs.

(c) NPA figures for 1996-97 shall be available only after the classification of accounts as on 31st March, 1997 has been completed. As per the annual discussions with RBI, nationalised banks have made commitments for reduction in NPA by

Rs. 8962.78 crores through upgradation, compromise settlements/write-off and recovery. Banks have not so far fixed recovery targets for the year 1997-98, as these can be fixed only on the basis of performance during the year 1996-97. All efforts are being continuously made by banks/financial institutions for recovery of NPAs on an ongoing basis.

(d) According to RBI, there are 111 big borrowers having an outstanding of more than Rs. 100 crores as on 31st March, 1996.

(e) RBI have advised all banks and financial institutions for formulating loan recovery policy with the approval of the Board of Directors. The banks have also been advised to set up recovery cells at Head Office and monitor recovery of NPAs closely. The senior executives of banks and financial institutions periodically review each loan portfolio. If incipient sickness is noticed in any advance, corrective measures are initiated immediately.

SHRI DIPANKAR MUKHERJEE: Sir, this isa continuation of the question which I raised in 1996 and earlier in 1995 and in 1994. I can only say before I put my first supplementary that a few days back, I saw the hon. Finance Minister committee that within three years he is going to make India as one of the Asian Tigers. Unfortunately, 1 don't find that type of a commitment in getting these recoveries from these borrowers.

After going through all the questions, I am giving the figures of NPA as given in this House. In 1993-94, the NPA from the public sector banks was Rs. 41,000 odd crores; 1994-95, Rs. 38,385 crores and in 1995-96 as per the figures given in the reply, it is Rs. 39,583 crores. As on paper, these seem to be stationary figures. A debt Recovery Tribunal was established three years back specifically for the purpose of recovering these moneys and it was stipulated in that Act that once these cases are more than Rs. 10 lakhs, they would be referred to the Debt Recovery Tribunal and within six months more or less the recovery will be made. As on date, as per this reply the recovery through the Debt Recovery Tribunal is Rs. 140 crores. Earlier, as on 31.12.1995, the figure I got was Rs. 129 crores. Before that in March 1995, it was probably Rs. 16 crores. My supplementary to the hon. Finance Minister is whether he is really happy with this state of affairs in the Debt Recovery Tribunals. At least the country is not happy. I am sure that he also shares this feelings. Sir, I would like to know as to why the Debt Recovery Tribunal has been able to recover only .35 per cent of the debts from the NPAs. I would also like to know as to what action is being taken to sec to it that the Debt Recovery Tribunal functions for the purpose for which it was established. I also want to know as to why this present rate of .35 per cent cannot be raised to 10 per cent. I understand that there are certain cases of collusion and compromise with regard to 'write off. I would like to know the action being taken by the Finance Minister to strengthen the infrastructure of the Debt Recovery Tribunal and to remove the difficulties that are being faced by it.

SHRI P. CHIDAMBARAM: Sir, I am not happy with the Debt Recovery Tribunals. I do not blame them. But, I think there are institutional, inbuilt constraints and I am looking at them to remove them. Sir, the hon. Member will kindly remember that the Debt Recovery Tribunals were set up after the Recovery of Debts Due To Banks and Financial Institutions Act, 1993 was enacted on 28th August, 1993. It was further amended on 9.8.1995. But, I believe there are still difficulties which I am looking into. Unless these difficulties are removed, I do not think the Debt Recovery Tribunal route will give us too much of recovery. I have spoken to a number of presiding officers. They are in a position to get on with the cases and pass decrees. The problem is in the execution of those orders. There are

serious difficulties and unless we address the difficulties in executing the orders, wc will not be able to recover much. I am applying my mind to it and I will find a solution to it. As far as recovery and NPAs are concerned, I think the hon. Member is looking at the absolute figure. The absolute figure is indeed relevant, but for comparison purposes, absolute figure is not relevant. Absolute figure is relevant—I would not say that absolute figure is not relevant, but it is less relevant. The more relevant figure is the percentage of outstandings to the total advances. If you look at that, at the end of March 1993, the percentage was 23.18 per cent. In March 1994, it was 24.78 per cent. But, since then there has been a dramatic improvement. In March 1995, it came down to 19.45 per cent and in March 1996, it came down to 17.12 per cent. According to the MoUs or plans given by the public sector banks, in the current year, 1996-97, they are expected to recover Rs. 8,962 crores which will bring down further the percentage of outstandings to total advances. Only at the end of the year I will know how much they have succeeded. But, it will be my endeavour to push them to improve the percentage and bring it down. The •percentage has fallen from a high of 25 to 17.2 and this, I think, although is not quite satisfactory, is commendable.

SHRI DIPANKAR MUKHERJEE: Sir, I would not like to go again into the statistics. I would now touch the practical aspect of the recovery which I see as a layman.

Sir, there should have been an ABC analysis of the borrowers. Sir, the thrust of my question was the big borrowers and not the percentage. The big borrowers say that they do not have capital. If there is an ABC analysis, then they can be identified. I am glad to see that the hon. Minister has identified them. There are more than 100 borrowers who have defaulted an amount of more than Rs. 100 crores.

The question that I am a trying to ask is: wnai prevems us, wnai picvcms mc Government, what impedes the Government, from telling us that these are the people? These *maharathis* have been giving us sermons through the press as to how we should run the Indian economy. The question is: what prevents us from identifying these big borrowers—the list of such people we are having—and seeing that the money is recovered? As per the records which I have—though it was supposed to be secret—as on 31st March, 1995, the number of borrowers having an outstanding of more than Rs. 100 crores was 111. The number has gone up from ten or fifteen earlier to 111. Why should not these borrowers having an outstanding of more than Rs. 50 crores, Rs. 100 crores, be identified? Why should not these 111 faces be identified?

AN HON. MEMBER: They have been identified.

SHRI DIPANKAR MUKHERJEE: Why should you not recover the money from these *maharathisl* I think my question is very clear. There is no question of percentage or anything. *(Interruptions)* Why should you not recover the money from these *maharathis* who have been giving us sermons as to how we should run the country? Why are you not able to come up and say that you have been able to catch hold of so many of them? This is my question. *(interruptions)*

SHRI P. CHIDAMBARAM: Sir, I am afraid, my dear friend is running away with the full. Please look at the question. Part (a) of the question is about the number of big borrowers having an outstanding of more than Rs. 100 crores. That does not mean that every one of them is a defaulter. The hon. Member's question was not about the number of defaulters with an outstanding of over Rs. 100 crores.

SHRI DIPANKAR MUKHERJEE: I am giving the names.

SHRI. P. CHIDAMBARAM: Let me

answer you question, please. I had spent time understanding the question. The question was: 'the number of big borrowers having an outstanding of more than Rs. 100 crores'. The answer is: '111 accounts have an outstanding of more than Rs. 100 crores.' But not all the 111 are defaulters. Of these 111, only 9 appear in the defaulters' list. Therefore, the other 102 accounts arc performing accounts. That is why it is not correct to say that every one of these 111 persons is a defaulter. If you had asked me as to how many defaulters had an outstanding of more than Rs. 100 crores, how many of them were non-performing accounts, with a due of more than Rs. 100 crores, I would have said: 'it is nine in number'. This number of 111 refers to the number of borrowers. Only nine are defaulters. Only nine arc non-performing accounts. As far as they are concerned, they would be dealt with in exactly the same manner as in the case of all the other non-performing accounts. There is no question of any mercy or genorosity being shown to them.

SHRI NILOTPAL BASU: Mr. Vice-Chairman, Sir, the point is this. Again, as a layman, I am trying to understand this. The point is, these NPAs, have piled up over the years. But so far as the banks are concerned, there is no group approach. For example, a group of companies arc being run by a particular promoter. When he is advanced a loan and he defaults, it becomes non-performing. But we find that some other company being run by the same promoter is advanced a loan. Now, why should not the banks adopt the group approach? In case one of the companies run by a particular promoter defaults, or, its assets become non-performing assets, why should another company belonging to the same group be advanced money? Why should you not consider the entire group of companies as one single entity?

SHRI P. CHIDAMBARAM: Sir, I would like hon. Members to approach this question dispassionately. There is a group approach. The Reserve Bank of India has detailed guidelines as to when the group appraoch should be applied. It is not correct to say that there is no policy of adopting the group approach. But then, please look at a concrete case. If there are ten companies in a group and if one of them has fallen sick, but if another company of that group wants working capital, what should you do? if it is a good company and if it is doing well, what should you do? In such cases, if you adopt the group approach in a prbcrustean manner, you would be killing that company also. The other way to look at it is to try and get as much as possible from the group, but not kill that company which is doing well. The approach should be to continue extending working capital to that company so that the company which is doing well would continue to do well. I do not think you can have a Procrustean approach in these matters; that if one of the companies belonging to a group has fallen sick, all the other companies in that group must be denied credit, in which event, you can take it from me that all the companies would fall sick very shortly.

SHRI N. K .P. SALVE; That is right.

SHRI P. CHIDAMBARAM: Therefore, there is a group approach. There are guidelines. I had answered this question before in this House. I am willing to send the guidelines to my hon. friend. But I do not think that we should mandate the banks to adopt the group approach invariably. We must leave it to the judgment of the banks. There are cases where the group approach has been applied, there are a number of cases where the group approach has been applied, in a manner that is choking the credit to well-managed companies also. So, sitting here in Delhi, I should not be directing them to do this or to do that. We must leave it to the judgement of the banks concerned.

SHRI DIPANKAR MUKHERJEE: People will ultimately go by the end result as far as the NPAs are concerned.

SHRI SATISH AGARWAL: Mr. Vice-Chairman, I am on a very limited point. The Standing Committee on Finance is examinig these questions of NPA in detail. So, I am on a very limited point.

In reply to part (c) of the question, as per the annual discussions with the RBI, nationalised banks have made commitments for reduction of NPA by Rs. 8,962 crores through upgradation, compromise settlements/write off and recovery. Is the hon. Finance Minister in a position to give how much is going to be written off under this understanding? I appreciate recovery, but will you get it?

SHRI P. CHIDAMBARAM: Not yet, Sir. Only when the year is over will I know how much has been done under each of the three heads.

SHRI GURUDAS DAS GUPTA: Sir, the hon. Minister has given the picture of the problem that has been overwhelming the banking sector for a long time. According to him, Rs. 46,000 crores is the value of the non-performing advances, and there has been a recovery of Rs. 140 crores and also settlements through compromise of Rs. 2,220 crores. The NPA is sought to be reduced by the banks through upgradation, compromise settlement, write-off etc. We arc not interested in mass killing of well-performing companies of the country because that affects employment. We want that finanical institutions should not be generous to those companies whose NPA or sickness is not because of the market situation but it is due to manipulation, diversion and defalcation. There have .been innumerable cases of diversion of funds, delinquency and everything else. Therefore, a demarcation has to be made between a genuine sickness and a deliberate sickness, between delinquency and honest business.

My question to the hon. Minister is: while dealing with recovery of the defaulted sum or recovery of the NPA, how is this question being taken note of, and what is the instruction of the Government? The group approach is important because there have been cases where industrial houses have defalcated banks' money in one company, while they were being given money by other banks. My question, therefore, is: will the Government make public the names of the defaulted companies? In many countries including our neighbour, Pakistan, the names of defaulted companies have been announced. Part (a) of my question is: is the Government ready to make public the names of defaulters or at least those of big defaulters? Part (b) of my question is: what is the amount that is being compromised? What is the amount that is being written off? Recovery does not indicate anything. Recovery can give us a picture only if we are allowed to know the sacrifice made by the banks.

THE VICE-CHAIRMAN (SHRI AJIT P.K. JC Gl): Please conclude.

SHRI GURUDAS DAS GUPTA: Part (b) of my question is: while settling the accounts, how is the compromise being made? what amount is being written off, and what is the amount being sacrificed?

part (c) of my question is ...

THE VICE-CHAIRMAN (SHRI AJIT P.K. JOGI): That is enough. That is enough.

SHRI GURUDAS DAS GUPTA: Part (c) of my question is: how much sacrifice have the banks made in any of the preceding years?

SHRI P. CHIDAMBARAM: Sir, I have no quarrel with the hon. Member's general approach to the question of recovering NPAs. We have repeatedly made it clear that under the law today all that we can make public is the suit filed accounts'. Names of companies, individuals and borrowers who are involved in 'suit filed accounts' have been made public. They are made public once in six months. The lists arc placed in the Parliament Library. Beyond that you

cannot make public the list of borrowers, unless it ripens into a suit filed account.' There has been no change in the position of the Government for the last many years.

As regards the NPA, I should have explained this point earlier. What we should be concerned about is the NPAs since the banking reforms were introduced. We are now talking about NPAs which are accumulated over the last many years. Banking reforms were introduced in 1991-92 and banks are now required to follow the Basle norms. Norms have been laid down for asset classification, for income recognition and for provisioning. After these norms have been laid down, the percentage of NPA has come down drastically, while 1 cannot off-hand give the percentage of NPAs on incrdnental lending at the last meeting I had with the chairman of the banks, all of them had told me on incremental lending, after the banking norms were introduced, the percentage of NPA is very low, something in the range of 3 per cent to 4 per cent. Therefore, the total NPA percentage of 17 per cent is a result of what we accumulated up to banking norms and the incremental NPAs, which have come after the banking norms. I think the situation has improved considerably after tight norms were laid down when banking reforms were introduced.

I am one with the hon. Member that we should take all steps to reduce the NPAs. He has asked me a specific question and I will give him a specific answer. In 1995-96, for the public sector banks i.e. the State Bank group and the nationalised banks, the total reduction in NPA was Rs.7,751 crores. Of this Rs.4,762 crores were actual recoveries. Rs.868 was by upgradation. That is a substandard asset had become a standard asset. The total amount involved in compromises and write-offs for all the public sector banks was Rs. 2,120 crores according to norms laid down by thge Reserve Bank of India. This is the picture for 1995-96.

SHRI SURINDER KUMAR SINGLA: Sir, I am delighted that after the bank reforms took place, the NPA has declined sharply. It is around 3 per cent' or 4 per cent as we have been told by the RBI also. Normally it is 5 per cent all over the world. It is a big change and we welcome it, but one would be interested to know what are the various causes. I would like to know whether it is the top fradulcnt management of those companies which has led to NPA or specifically it is the Government policies after the reform. The fact of the matter is that the Government policies have induced a lot of sickness and have made funds to be NPAs of the banks. So, how would you agree? I would like to know whether the Government policies after the reforms period are responsible or it is the top fraudulent management that is responsible.

SHRI P. CHIDAMBARAM: Sir, the reasons are many. Some of the reasons the hon. Member has alluded to. ! do not deny that there are bank frauds. In fact, irtually every month or every quarter bank frauds are being unearthed. Bank frauds cannot take place without the top management or people in responsible positions in banks having a part to play in those bank frauds. There are other reasons also as to why accounts become sick. For example, I was told recently that as a result of certain legal decisions—I am not criticising the decisions; I am simply giving consequences of the decisions—a large number of aquaculture companies and a large number of leather tanning factories arc likely to become sick this year. That is as a consequence of a decision. Let me say again, sir, I am not criticising the decision. I am only pointing out the impact of it on the banks. I do not know what the hon. Member had in mind, when he said 'policy-induced

sickness'. If he is referring to wrong policies, yes, of course, wrong policies will induce sickness.

SHRI SURINDER KUMAR SINGLA: Sir, I have asked a specific question. A steep reduction in the customs duty has affected the major industries, particularly the chemical, paper and textile industries. These are the major industries. I would say a particular policy has made these industries capital sick.

SHRIMATI MARGARET ALVA: He says you have withdrawn the protection given to Indian industries.

SHRI P. CHIDAMBARAM: I understand what you have in mind, but we have to balance a number of objectives. One of the objectives is to make the Indian industry competitive. I do not believe that it can be any one's case that the Indian industry will be competitive when it starts with a 30 per cent or 40 per cent disadvantage in capital costs. These can be debated when we debate the Budget. When we do tax reforms, when we change tariffs, we do so after applying our mind to all aspects, including the aspect of the level of protection the industry requires. In the last year's Budget, you pointed out to me that the iron and steel required a little more of protection for a little more time.' If you convince me, certainly I will concede the point; but the point is that we take all these into account while deciding on the level of tarrif protection, when we discuss the Budget, we will discuss it. NPAs arise because of a number of reasons. For example wilfull default of borrowers, sickness in industry, inadequate security cover, improper appraisals done by banks and directed lendings. Sometimes lending is directed and as a result of that there are bad accounts and protracted legal battles and banks are not comfortably placed. There are a number of reasons and we are aware of them. I share the hon. Member's concern. The reasons which he has mentioned are among the reasons which cause NPAs.

THE VICE-CHAIRMAN (SHRI AJIT P.K. JOGI): Q. No. 224. Hon. Member is absent.

**Steps proposed to contain Inflation**

*225. SHRI O.P. KOHLI:†
SHRI RAJUBHAI A. PARMAR:

Will the Minister of FINANCE be pleased to state:

(a) whether the consumer price index for industrial workers rose to a peak of 350 during December, 1996:

(b) if so, whether the galloping rate of inflation is causing intense hardships to the poor, middle class and the fixed income group people; and

(c) if so, the steps takea'proposed to be taken to keep the inflation under check?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) to (c) A statement is laid on the Table of the' House.

**Statement**

(a) yes, Sir.

(b) In the current year it is only wheat and rice where price rise has been quite substantial as a result of which the offtake from the Public distribution system (PDS) rose during April-December 1996 to 14.29 million tonnes in comparision to 10.59 million tonnes in the corresponding period last year. As for other essential commodities the price rise has been modest. For example, ' retail prices in December, 1996 over last year, declined in case of bajra, moong, arhar, urd, groundnut Oil, mustard oil vanaspatil chillies, onions and sugar. Moderate rise has been recorded in the prices of jower (8.2 per cent), fish (8.5 per cent), milk (8.8 per cent), washing soap (8.4 per

†The Question was actually asked on the floor of the House by Shri O.P. Kohli.